

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 728 – SB 1130

March 18, 2016

SUMMARY OF ORIGINAL BILL: Requires the Office of the Comptroller of the Treasury to prepare a report with recommendations for the House of Representative's Business and Utilities Committee and the Senate's Commerce and Labor Committee evaluating municipal electric systems offering cable, internet, and related services.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (012022): Deletes all language of the original bill except for the effective date clause. Requires any entity providing twenty-first century essential infrastructure needs of cable, telephone, and fiber to premises in a successful manner to over 2,000 customers by June 1, 2016, to be awarded a statewide certificate of franchise authority to serve unserved and underserved parts of the state.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact - To the extent any service provider is awarded a statewide certificate of franchise authority pursuant to the provisions of this legislation, the forgone state revenue to the Tennessee Regulatory Authority is reasonably estimated to exceed \$2,000.

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 7-59-305(f)(2), the sum of fees collected by Tennessee Regulatory Authority (TRA) from current statewide holders of certificates of franchise authority is \$107,000 annually.
- Awarding additional statewide certificates of franchise authority to providers will not allow for any increased fee revenue remitted to the state. The \$107,000 collected statewide will be collected from an increased number of statewide certificate holders of franchise authority, but the total amount collected will not change as a result of this legislation.
- Entities awarded a statewide certificate of franchise authority under the provisions of this bill as amended will serve unserved and underserved parts of the state.

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- It is assumed that provider entities awarded a statewide certificate of franchise authority under the provisions of this bill as amended will not remit the initial certificate of franchise authority application fee.
- Pursuant to Tenn. Code Ann. § 7-59-305, the initial certificate of franchise authority application fee is based on the population of the service area in accordance with the most recent decennial census. The application fee can range up to \$15,000 per certificate of franchise authority.
- Any impact resulting from this legislation is assumed to be forgone revenue to TRA because any providers that will be awarded a certificate of franchise authority will be granted the certificate only as a result of this legislation, and such provider entities are assumed to not pursue such certificates of franchise authority in the absence of the legislation.
- The fiscal impact of this legislation is dependent upon several unknown factors such as the number of entities that will be eligible for a certificate of franchise authority under the provisions of this legislation, the areas currently considered unserved or underserved and the extent to which they are unserved or underserved, and the number of certificates of franchise authority that will be granted by TRA pursuant to this legislation. Given the extent of unknown factors, determining a precise impact resulting from this legislation is difficult to determine; however, to the extent any provider is awarded a statewide certificate of franchise authority pursuant to this legislation, the forgone state revenue to TRA is reasonably estimated to exceed \$2,000.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

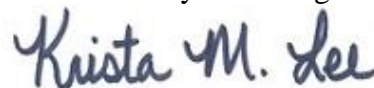
Other Fiscal Impact – To the extent additional providers are granted certificates of franchise authority pursuant to this legislation, it is reasonable to presume it could have a positive impact on commerce and jobs in the state. The extent to which this occurs is unknown and dependent upon multiple unknown factors.

Assumption for the bill as amended:

- The provisions of the bill may affect commerce and jobs in Tennessee; however, the impact cannot be reasonably quantified.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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